

READER'S GUIDE TO THE BUDGET

Purpose

The budget is a document that summarizes all public service programs provided by the City government. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of July 1, 2003 to June 30, 2004. The amounts for fiscal year 2004 are appropriated by the City Council.

Budget Overview

This section provides information on the fund structure and basis of accounting/budget, the budget process, budget calendar and the City's organizational chart. It also includes revenue and expenditure summaries for the total City budget, discussion of major revenue sources, indebtedness and personnel staffing.

General Fund

The General Fund is used to account for primary government services. A summary of estimated revenues is provided for the total General Fund; for each operating department within the General Fund; and a summary of historical and recommended expenditures.

Education Funds

This section conveys the proposed Norfolk Public Schools Operating Budget.

Other Funds

This section consists of budgetary information related to the City's Special Revenue Enterprise and Internal Service Funds.

Capital Improvement Plan

This section provides detailed budget information on the five-year Capital Improvement Plan.

Statistical/General Information

This section provides statistical/general information about the City such as an overview of the organization, services and selected functions.

Glossary

This section provides definitions of budget related terms.

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The index contains an alphabetical reference of information contained in this document.

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FUND STRUCTURE

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures. The following fund types are used: governmental, proprietary and component units.

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the City are financed. The modified accrual basis of budgeting is used for all governmental funds.

General Fund

The general operating fund of the City accounts for all financial transactions not required to be accounted for in other funds. The General Fund accounts for the normal recurring activities of the City, such as police, public works, general government, etc. These activities are funded by such revenue sources as general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth and Federal Government. The City's payroll agency fund is included in governmental activities for both the government-wide and fund financial statements.

Special Revenue Funds

The Special Revenue Funds account for the proceeds of specific revenue resources (other than expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions, or administrative action.

CAPITAL PROJECTS FUNDS

Capital Project Funds account for the acquisition, construction or renovation of major capital

facilities of the City or the School Board (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUND TYPES

Proprietary Funds account for operations similar to those found in the private sector. The Proprietary Fund measurement focus is upon determination of net income, financial position and changes in financial position. The individual Proprietary Fund types are:

Enterprise Funds

Parking Facilities Fund

This fund accounts for the operation of City-owned parking facilities (garages, lots and on-street meters). The cost of providing services is financed or recovered through user charges for long-term and short-term customer use and fines for parking violations.

Wastewater Fund

This fund accounts for the operation of the City-owned wastewater (sewer) system. The cost of providing services on a continuing basis is financed or recovered through user charges to Norfolk residential and commercial customers.

Water Utility Fund

This fund accounts for the operations of the City-owned water system. The cost of providing services is financed or recovered through user charges to customers. These customers include Norfolk residential and commercial customers and the U.S. Navy.

Internal Service Funds

This fund accounts for the financing of goods and services supplied to other funds of the City and other governmental units on a cost-reimbursement basis. Internal service funds have been established for the Storehouse and Fleet Management funds.

EDUCATION FUNDS

The City's total budget includes the funds of the Norfolk Public Schools. The primary sources of revenue, exclusive of the transfer from the City's General Fund, are basic school aid and sales tax payments from the Commonwealth of Virginia and educational program grants. Major expenditures are for instructional salaries and facility operating costs for the schools.

School Operating Fund

The School Operating Fund is the general operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund.

School Grants Fund

This fund accounts for revenues and expenditures for Federal, State and other grants for specific programs pertaining to education.

School Child Nutrition Service

This fund accounts for the administration of the school breakfast and lunch program.

BASIS OF BUDGETING

The budgets of governmental fund types (General Fund, Special Revenue and Capital Projects Funds) of the City are prepared on the modified accrual basis. The full-accrual basis of budgeting is used for the Enterprise Funds and Internal Service Funds, except for depreciation, debt principal payments and capital outlay (see Basis of Accounting below).

For the modified accrual basis, obligations (such as purchase orders) are recorded as expenditures. Revenues are then recognized when they are measurable and available.

The full-accrual basis also recognizes expenditures when the obligations are made. Revenues, however, are recognized when they are earned.

The level of control, or level of which expenditures may not legally exceed the budget, is at the department level for the General Fund and the fund level for all other funds. Any change in appropriation level of the Fund must be approved by the City Council. The City Manager or the Director of Finance may approve any changes within the Fund which do not require an alteration of the appropriation level. Appropriations lapse at year-end, except appropriations for the Grants Fund and the Capital Improvement Plan Fund, which are carried forward until such time as the grant or project is completed.

BASIS OF ACCOUNTING

The Comprehensive Annual Financial Report (CAFR) presents the status of the City's finances on the basis of "generally accepted accounting principles" (GAAP). In most cases this conforms to how the City prepares its budget. Exceptions are as follows:

Compensated absences are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget).

Principal payments on long-term debt within the Proprietary Funds are applied to the

outstanding liability on a GAAP basis as opposed to being expended on a Budget basis.

Capital Outlay within the Proprietary Funds is recorded as assets on a GAAP basis and expended on a Budget basis.

Depreciation expenses are recorded on a GAAP basis only.

The CAFR includes fund expenditures and revenues on both a GAAP basis and a budgetary basis for comparison purposes.

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BUDGET PROCESS

Formulation of the City Manager's Proposed Budget

The City Charter requires the City Manager to prepare and submit to the City Council an annual budget. The City budgets on an annual basis.

The annual budget process commences in the fall of the preceding year. The budget calendar is developed at this time which establishes the timelines for the process, including the date of submission of departmental requests, budget work sessions and public hearings that lead to final adoption of the budget.

Department requests are based on the Budget Instruction Manual. Each request must relate to the organization's program objectives. These requests are received and compiled by the budget staff. Due to revenue constraints, departments are encouraged to develop proposals to trade or shift expenditures rather than seek additional funding.

An operating budget is adopted each fiscal year for the General Fund, Water Utility Fund, Wastewater Utility Fund, Parking Fund, Storm Water Fund and Internal Service Funds. All funds are under formal budgetary control, the most significant of which is the General Fund. The City uses the following budgetary procedures: No less than sixty days before the end of fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The Operating Budget includes recommended expenditures and the means to finance them.

City Council's Authorization and Appropriation

After general distribution of the proposed operating budget, a public hearing is conducted to obtain comments and recommendations from the public. No less than thirty days before the end of the fiscal year, the budget is legislatively enacted by the City Council through adoption of one or more ordinances. The ordinance for the annual operating budget appropriates funds, subject to certain conditions, for the use of departments included in the General Fund and all proprietary

funds. The ordinance authorizes salaries, wages and personnel positions as set forth in the detailed budget document. Amounts appropriated to each department are to be expended for the purposes designated by object group; i.e., categories including personal services, materials, supplies and repairs, equipment, public assistance payments, and debt service.

City Manager's Authorization

The City Manager is authorized by ordinance to transfer funds within a single department or activity with the requirement that, at the end of the fiscal year, a written report shall be made to the City Council of all such transfers. As of January 1, the rebalancing of accounts and any revisions that alter the total appropriation to departments must be reported by the City Manager to City Council.

Budget Implementation

Once the budget is adopted on July 1, it becomes the legal basis for the programs of each department of the City during the fiscal year. No department or other agency of the city government may spend in excess of approved and appropriated amounts. Financial and programmatic monitoring of departmental activities to ensure conformity with the adopted budget takes place throughout the year. Copies of the Adopted Budget can be found in the library and in all City offices, and may be obtained from the Budget and Management Department. Unencumbered appropriations lapse at the end of the fiscal year and are returned to fund balance for re-appropriation. The City Manager is responsible for maintaining a balanced budget at all times. In the event it is identified there is a negative gap between revenues and expenditures, the City Manager will take such actions necessary to cause a rebalancing of the budget.

Capital Improvement Plan

City Council also adopts a Capital Improvement Program budget and a Consolidated Plan budget. As in the case of the Operating Budget, these budgets are submitted by the City Manager, public hearings are held, and the budgets are legislatively enacted through adoption of ordinances.

Budgets are also adopted for a Special Revenue (Grants) Fund on an individual project basis.

Appropriations for project funds do not lapse at year-end, but continue until the purpose of the appropriation has been fulfilled or is otherwise terminated. Amendments to these budgets are effected by City Council action. The level of budgetary control is on a projected basis with additional administrative controls being exercised.

BUDGET CALENDAR

DATE	DESCRIPTION
December 16, 2002	Capital Improvement Plan (CIP) instructions provided to departments
January 14, 2003	Budget Kick-off Meeting with Department Heads and their budget staff, including Preliminary mid-year review and Financial Plan Overview
January 21, 2003	Departments submit CIP Budget Request
January 21, 2003	Base Budgets Finalized and Distributed to Departments
January 31, 2003	Outside Agencies (Public Amenities and Community Partners) submit FY04 Budget Requests
February 24, 2003	Departments Submit FY04 Operating Budget Requests
February 26, 2003 to March 19, 2003	Department Meetings with Budget Staff and Executive Budget Team
April 22, 2003	Formal Presentation of FY04 Operating Budget to City Council at regularly scheduled meeting
May 12, 2003	Public Hearing on Operating Budget, and annual Capital Budget, and Tax and Fee Changes
May 13, 2003	Budget Work Session with City Council
May 20, 2003	Adoption of FY04 Operating Budget, Capital Improvement Plan, Tax Ordinances and Appropriations Budget Adoption (<i>in accordance with City Code, budget must be adopted by May 31.</i>)

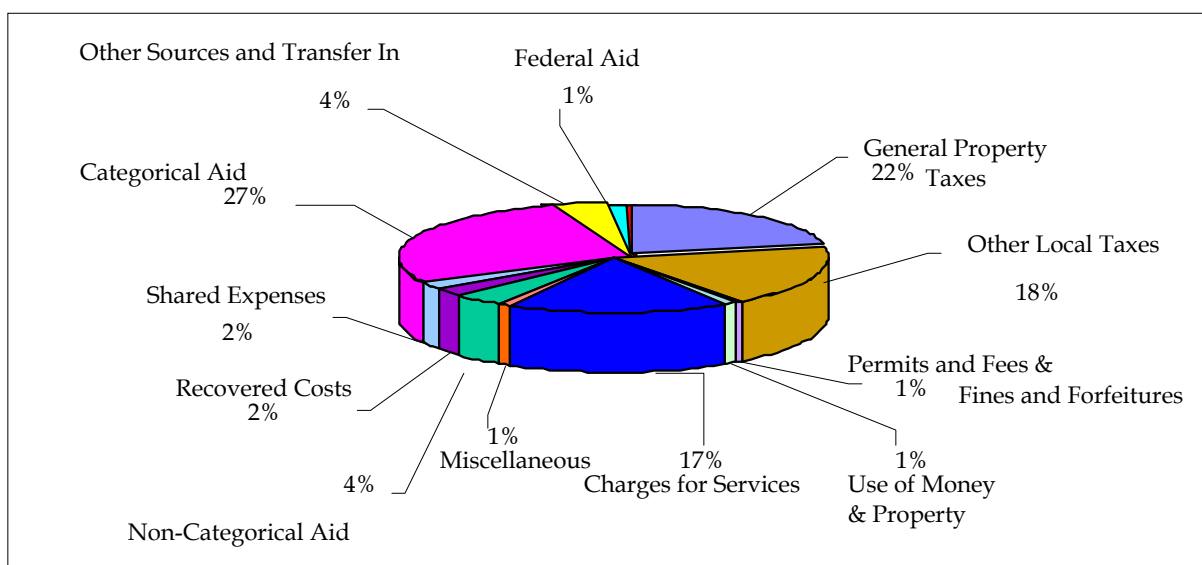
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ESTIMATED REVENUE BY SOURCE

The following table represents the total FY2004 Approved Operating Budget as compared to the Approved Operating Budget for FY2003. The major categories of funding sources are shown so as to permit the reader a broad overview of the

predominant sources of revenue for all operating funds of the City. Revenues are contained in those categories where they are originally raised.

SOURCE	ACTUAL FY 2002	APPROVED BUDGET FY 2003	APPROVED BUDGET FY 2004	FY 2002 vs FY 2003	
				\$ CHANGE	% CHANGE
General Property Taxes	\$159,177,993	171,909,300	175,846,400	3,937,100	2.3%
Other Local Taxes	128,954,192	134,388,700	142,198,700	7,810,000	5.8%
Permits and Fees	2,699,742	3,078,200	4,815,400	1,737,200	56.4%
Use of Money and Property	10,352,180	10,721,700	9,619,515	(1,102,185)	-10.3%
Charges for Services	123,683,775	127,601,300	133,752,585	6,151,285	4.8%
Miscellaneous	8,726,422	6,903,600	4,902,700	(2,000,900)	-29.0%
Non-Categorical Aid-State	31,235,218	29,943,900	31,756,300	1,812,400	6.1%
Recovered Costs	10,727,272	13,507,600	17,651,500	4,143,900	30.7%
Shared Expenses - State	16,653,347	16,534,300	17,622,300	1,088,000	6.6%
Categorical Aid-State	205,012,614	214,556,000	218,805,600	4,249,600	2.0%
Other Sources and Transfers In	24,790,000	28,634,530	31,995,200	3,360,670	11.7%
Federal Aid	7,259,203	6,223,670	8,934,500	2,710,830	43.6%
Fines and Forfeitures	1,548,657	3,043,200	3,301,600	258,400	8.5%
Total	\$730,820,615	767,046,000	801,202,300	34,156,300	4.5%

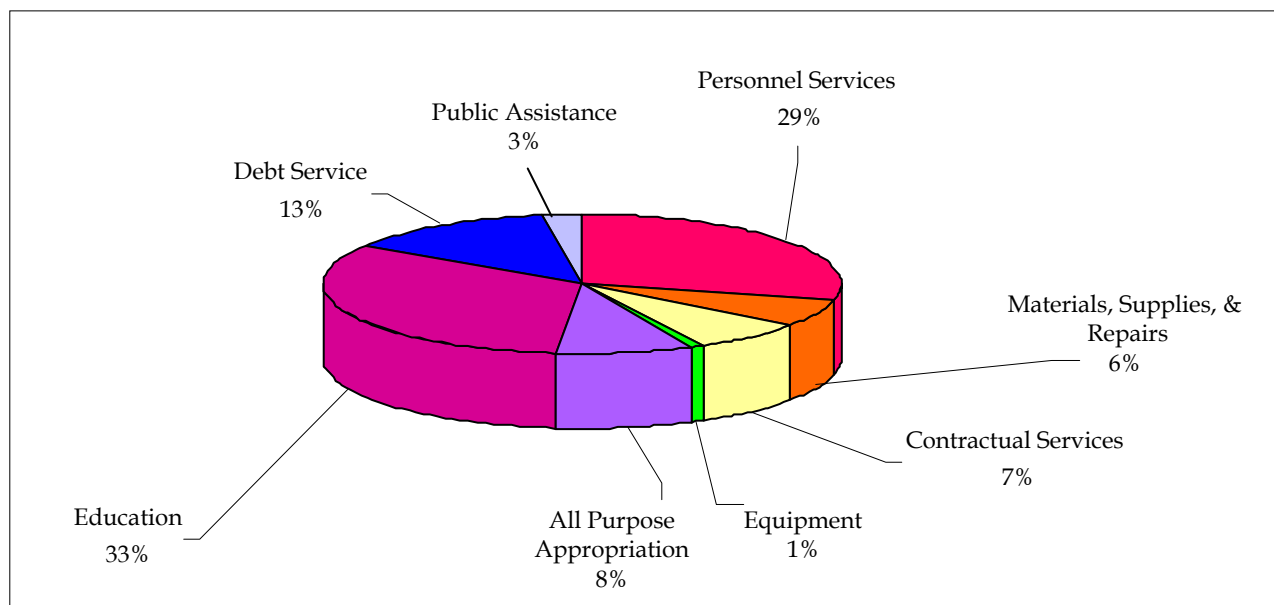


ESTIMATED EXPENDITURES BY USE

The following table represents the total FY 2004 Approved Operating Budget as compared to the Approved Operating Budget for FY 2003. The major categories of funding uses are shown so as to permit the reader a broad overview of the

predominant uses of expenditures for all operating funds of the City. Expenditures are contained in those categories where it is originally spent.

USES	ACTUAL FY2002	APPROVED BUDGET FY2003	APPROVED BUDGET FY2004	FY 2002 vs FY 2003	
				\$ CHANGE	% CHANGE
Personnel Services	\$199,677,155	215,844,800	232,498,300	16,653,500	7.9%
Materials, Supplies, & Repairs	45,270,775	44,376,000	49,818,300	5,442,300	12.2%
Contractual Services	45,759,391	53,690,600	56,784,400	3,093,900	5.8%
Equipment	6,611,168	5,651,100	6,540,200	889,000	15.7%
All Purpose Appropriation	32,936,957	70,904,200	67,837,000	(3,067,200)	-4.3%
Education	241,318,625	254,263,200	261,151,000	6,887,800	2.7%
Debt Service	92,372,373	102,460,500	105,658,100	3,197,600	3.1%
Public Assistance	49,181,030	19,855,593	20,915,000	1,059,400	5.34%
Total	\$713,127,474	767,046,000	\$801,202,300	34,156,300	4.5 %

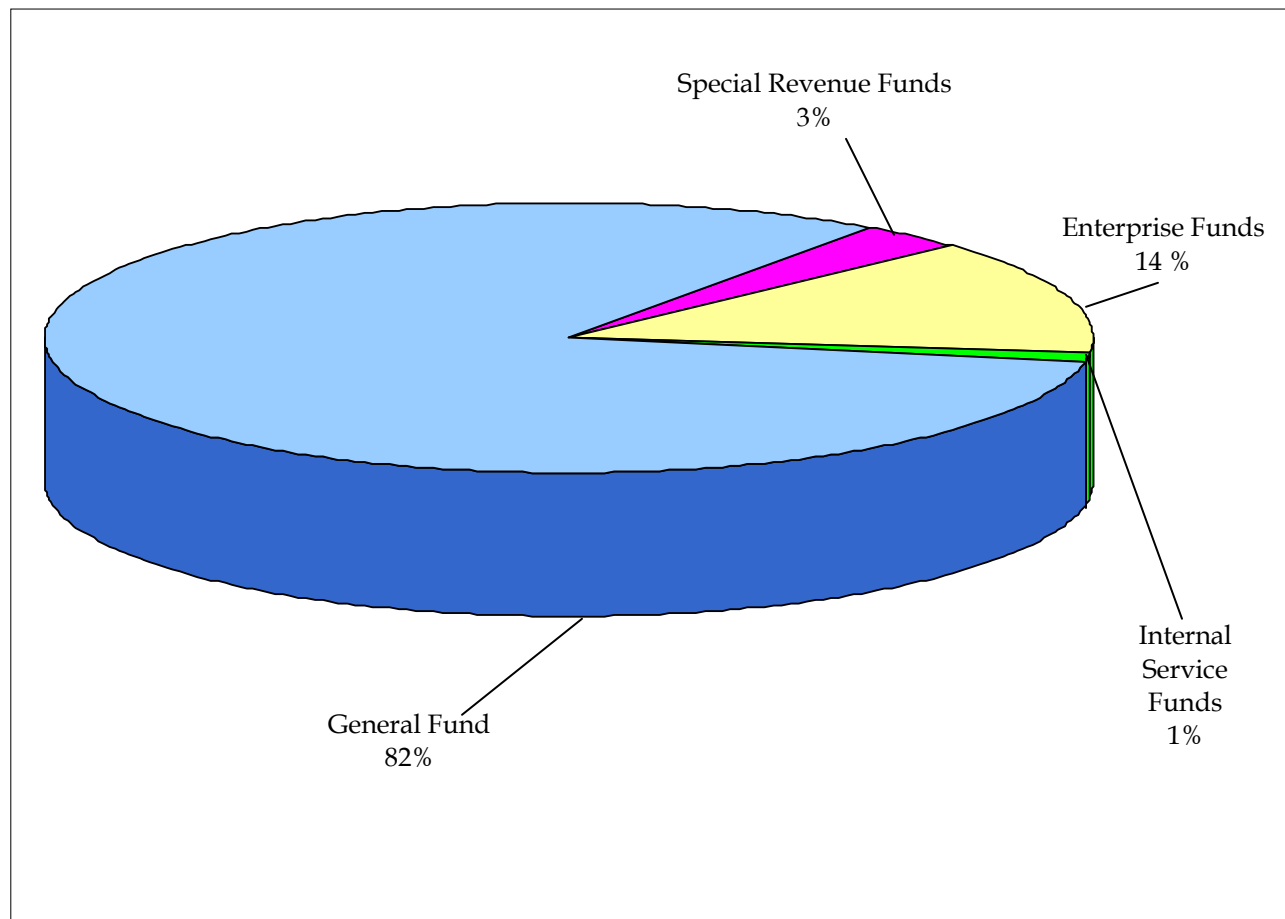


ESTIMATED EXPENDITURES BY FUND

The following table shows the comparison of expenditures by fund type of the FY2004

Proposed Operating Budget with the FY2003 Approved Operating Budget.

FUND	ACTUAL FY 2002	APPROVED BUDGET FY 2003	APPROVED BUDGET FY 2004	FY 2002 vs FY 2003	
				\$ CHANGE	% CHANGE
General Fund	\$ 605,704,586	631,989,300	656,335,400	24,346,100	3.9%
Special Revenue Funds	11,429,659	26,308,900	26,157,100	(151,800)	-0.6%
Enterprise Funds	87,389,017	101,592,200	109,988,000	8,395,800	8.3%
Internal Service Funds	8,604,212	7,155,600	8,721,800	1,566,200	21.9%
Total	\$ 713,127,474	767,046,000	801,202,300	34,156,300	4.5%



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Major Revenue Sources

Norfolk budgets and accounts for its revenues (and expenditures) within various funds. The City's revenues, while impacted by the current condition of the national economy, continue to show modest growth. However, the ongoing, as well as the long-term financial health of the City,

requires a close review of the economy and major revenue sources.

Economic Overview

The economy of the nation underwent tremendous change during 2003, witnessing a recession triggered by the business cycle, compounded further by the impacts of the terrorist attacks in September. During the spring of 2003, the economy showed limited signs of recovery, with new jobs added back and a lifting of the consumer confidence index. Spending by consumers drives two-thirds of the national economy, and the consumer confidence index measures the intent of consumers to spend.

The State of Virginia has not been spared from the impact of the national economic downturn. Corporate income tax revenues are down as businesses have suffered setbacks, unemployment has increased, and those communities with manufacturing plants have been hit the hardest. The State projects a revenue shortfall of over \$3.8 billion for the 2002-2004 biennium. The shortfall resulted in a difficult budget cycle in the General Assembly, and the Virginia First Cities Coalition projects that localities statewide will shoulder \$525 million in cuts.

Hampton Roads has been affected by the recession, but to a lesser degree than the rest of the nation. This is due partially to the presence of the Navy, which buffers the region during such periods. Unemployment levels did rise locally and regionally.

The economic slowdown has affected the rate of revenue growth in Norfolk, but as the economy pulls out of the recession and starts to grow, the rate of revenue is projected to increase.

Projections for the revenue accounts in the General Fund were formulated initially in February, using five-year historical trends combined with the latest economic indicators. As information about the State budget became available, these projections were updated; with a final revision in March to reflect the most recent information available. Some questions remain unanswered about the full State budget impact. Estimates for each account are based on a careful examination of the collection history and patterns, the underlying drivers that impact the revenue item and the overall economic environment projected for the City in the coming year. Most estimates involve two projections, an estimate of the amount to be collected in FY2003 and an estimate for the increase or decrease anticipated for FY2004.

Revenue estimates for FY2004 reflect a 4.5 percent growth over the prior fiscal year, bringing the total City revenues to \$801 million. This is a net increase of \$34 million.

While total revenue increased 3.8%, locally controlled revenues that are on-going and not required to be used for specific purposes, only grew 1.4% over FY 2003

Total Revenues					
SOURCE	ACTUAL FY 2002	APPROVED BUDGET FY 2003	APPROVED BUDGET FY 2004	FY 2002 vs FY 2003	
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General Property Taxes	\$159,177,993	171,909,300	175,846,400	3,937,100	2.3%
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Total	730,820,615	767,046,000	801,202,300	34,156,300	4.5%

The City of Norfolk generates revenue by levying taxes, user charges, and intergovernmental transfers from the state and federal government.

The City generates over 50 percent of its total revenue from various taxes and fees including real estate, sales, utility, franchise fee, permits, fines and user charges. These sources provide the operating revenue for the City. Operating revenue is used by the City to provide general services such as police, fire, parks, streets, local commitment to education and central administrative revenue. More and more, a higher portion of the locally generated funds, by necessity, are being used to fund State obligations.

The State provides 33 percent of total revenues. This revenue consists of funding for dedicated

purposes such as education, constitutional officers, and social services. The City has very little discretion on how the revenue from the State is spent. Revenue returned from the State for the rental of cars and reimbursements for personal property tax is also part of this category.

The federal government provides 1 percent of the total City funds, the majority of which are dedicated towards education. The remaining City budget comes from inter-fund transfers, and carry-forward funds from accumulated savings. Inter-fund transfers represent a return on investment from the Water, Wastewater and Storm Water utility operations. Carry-forward funds for one-time expenditures are made possible from current and prior year savings.

Revenue Monitoring

Collection patterns for all of the City's revenue sources are continuously monitored throughout the year. This monitoring helps confirm the accuracy of budget projections and allows for appropriate administrative action if actual results differ substantially from projections. The monitoring process also extracts data from monthly financial. A detailed collections database is then compiled to project future

revenue collections taking into account unique patterns or seasonal fluctuations. Collection rates for locally generated taxes and fees are very good, in the upper percentiles, which reflect the commitment and fulfillment of responsibility Norfolk's citizens show to their City

General Property Taxes

General Property Taxes are levied on the assessed value of real and personal property. They represent about 22 percent (\$175 million) of the City's total resources.

The real estate tax has been unchanged at the current rate of \$1.40 per \$100 of assessed value since 1996. Assessments are projected to grow at an average rate of 5.8 percent Citywide. The growth in assessments speaks of a strong

residential and commercial real estate market that remains healthy.

Considerations about the City's assessments growth include the fact that the City is fully developed with a large portion of the increased value attributable to redevelopment efforts. Nearly half of all property in the City is tax-exempt due to federal land ownership.

Personal Property Tax

Personal property tax is levied on all tangible personal property, including motor vehicles and delivery equipment. Household goods and personal effects are exempt.

Overall, personal property tax is expected to grow at the rate of 1.6 percent. The State has

postponed the car-tax rollback and frozen it at the current level of relief.

Machinery and Tools Tax revenue is projected to increase by 3.3 percent in the upcoming fiscal year.

Other Local Taxes

Because the State of Virginia is governed by the Dillon Rule, Norfolk has limited authorities it may exercise to offset other revenue losses. One opportunity available to the City is to increase the tax on cigarettes. Other cities in the region

have already increased the tax on cigarettes. It is proposed the City tax on a pack of cigarettes increase from 30 cents per pack to 55 cents per pack. This will result in increased revenues of

\$3.7 million based on the sale of 14.8 million packs of cigarettes within the City limits.

Other local taxes are comprised of consumer and business based taxes, including excise taxes on utilities, sales, hotel/motel, restaurant, admissions and cigarettes, as well as franchise and business license taxes. With the recommended cigarette tax increase, local taxes form 18 percent (\$142 million) of the City's resources.

Sales tax is levied on the selling, distribution, use or consumption of tangible personal property, the leasing or renting of tangible personal property and the storage of personal property inside or outside Virginia that is for use in Virginia. The state retail sales and use tax is 4.5 percent, and one percent is returned to localities as their share. Monthly tax receipts help to project this tax. Revenue is sensitive to underlying price level changes and will increase with the price of goods sold. Current year estimates are used in projecting next year's revenues after applying overall price assumptions. Changes in the local retail market (such as the opening of new stores, the performance of existing malls, and overall consumer confidence index) are used for projecting this revenue.

Consumer's utility tax is levied on the purchase of utility service including water, gas, electricity, local telecommunications and cable television services. The tax is assessed on the amount charged, exclusive of any federal tax, for telephone, water, cable TV, and cellular phones. Monthly receipts are monitored and used as a

basis for estimating the revenue yield, taking seasonal variations into consideration.

Business license tax is collected from any person who engages in a business, trade, profession, occupation, or other activity in the City. It is also applied to individuals that maintain a place of business, either permanent or temporary, or conducts a business related activity. Rates vary depending on business classification, and are generally imposed as a percentage of gross receipts. Revenue is projected to grow slightly as the economy turns around.

Meals tax is collected on prepared meals and the tax rate is 6.5 percent on the value of the meal. This revenue stream has been growing due to the large number of new restaurants that have opened in Downtown Norfolk, with the rejuvenation of Waterside and Granby Street, continued success of MacArthur Center and completion of construction on Military Highway. In 2002-2003 several other new restaurants have opened including Wonderbar, Health Kitchen, AJ Gators, Time and Aroma Café while others expanded. Other national and regional chains continue to express interest in opening restaurants along Granby Street in Downtown Norfolk; therefore, growth is expected to continue in this revenue source.

Hotel tax is levied on hotel rooms rented out and charged based on 8 percent of the room rate. Courtyard by Marriott added new inventory to the Downtown hotel market in FY2003. Another hotel in the Lake Wright area and one off Newtown Road are slated for development in FY2004. Revenue for FY2004 is projected to grow by 3.7 percent

Charges for Services

Charges for Services consist of revenues from fees for services, including Water and Wastewater fees, Zoo admissions, cemeteries, the serving of legal papers by local law enforcement

officers, refuse disposal, court costs, paramedical rescue service, and miscellaneous school fees. This revenue represents 17 percent (\$134 million) of the City's total budget.

Use of Money and Property

Revenue from the Use of Money and Property is comprised primarily of interest earned on cash balances, rents from short and long-term

property leases and prudent management of City assets. The revenue represents 1.2 percent (\$9.6 million) of the City's budget

Permits and Fines

Permits are issued to regulate new construction and ensure public safety. Permits, Privilege Fees and Licenses are comprised of fees for permits, licenses and other privileges subject to City regulation, partially to cover the expense of providing the regulatory services (taxi permits,

zoning inspections, construction permits, etc.) to the community. Fines and forfeitures contain revenues received from the courts as fines and forfeitures for violations of City ordinances. These provide 0.7 percent (\$4.4 million) of the City's General Fund budget

Non-Categorical Aid - Virginia

Non-Categorical Aid - Virginia contains State revenues shared with localities without restriction as to use. This includes taxes on wine, railroad equipment, car rentals and deeds, as well as profits from the operations of the Alcoholic Beverage Control Board and the HB 599 funds for local law enforcement. This category represents 4.9 percent (\$31.7 million) of the City's General Fund revenues.

House Bill 599 (HB 599) was enacted in 1981 and was established to provide State aid to localities for law enforcement. This law was a companion to State legislation restricting annexation and thus impeding a city's ability to increase its boundaries and tax base. The annual amount is determined based on a formula including the average crime rate, population density and certain population characteristics. A share of the total revenue growth statewide is provided to localities. This legislation has never been fully funded.

State revenues present three challenges. First, public education K-12, a State responsibility,

does not adequately provide sufficient funds to meet the quality standards set by the State Department of Education. Second, we anticipate an additional decline in over \$2.2 million in state revenues. Third, Norfolk is landlocked, prohibited from annexation and thereby restricted from creating funding mechanisms that allow us to independently make up these shortfalls.

Major State reductions for FY 2004 include:

- ♦ Reduction of \$1.17 million in jail reimbursements, despite the fact that the cost to house prisoners is not going down.
- ♦ Reduction of \$74,888 in law enforcement revenues (HB-599).

Reduction of \$323,760 in ABC and Wine sales profits that would otherwise come to the City will be retained by the State.

Recovered Costs

Recovered costs consist of revenues representing the General Fund Capital and Operating expense recovered from expenses associated with employee costs, city and outside agencies, and

the public. Recovered costs constitute 2.2 percent (\$17.7 million) of the City's General Fund Revenues

Shared Expenses

Shared Expenses consist of recovered costs primarily from the State for a portion of the salaries and operating expenses of constitutional and other offices serving the Norfolk community, including Sheriff and Jail, City Treasurer,

Commissioner of the Revenue, and the Commonwealth Attorney. This revenue forms 2.2 percent (\$17.6 million) of the General Fund budget.

State Categorical Aid

Categorical Aid from the State of Virginia consists of revenues for education, public assistance grants and social service programs, Virginia Department of Transportation funding for street maintenance and local adult correctional facility revenues. Categorical Aid constitutes 33.4 percent (\$217.9 million) of the General Fund Revenues.

State reimbursements for the cost of operating the Social Services department include cost of personnel services, fringe benefits, non-personal services, rent for buildings and parking, etc. The reimbursement rate varies by program from 50 to 70 percent of the overall costs incurred.

Education Revenue from the State is part of the categorical aid received by the City. Two major categories that form this revenue source are State Sales and Use Tax and State School Funds.

State Sales and Use Tax is the revenue from the City's proportionate share of the one percent of the State Sales and Use Tax, which is designated for education purposes. The City's share is based on the ratio of the number of school age children in the City to the number of school age children Statewide.

State School Funds reflect the schools operational costs. The rate of reimbursements is based on the Standards of Quality formula. Reimbursement rates vary by program and area of emphasis. Changes in enrollment figures affect this revenue source. According to the Joint Legislative Action and Review Committee (JLARC), the State under-funds schools statewide by about \$1 billion every year. Localities are required to match the State contribution based on a composite index. Norfolk currently more than matches its maintenance of local effort.

Street construction and maintenance revenue is received from the Virginia Department of Transportation to maintain the City's principal and minor arterials, collector roads and local streets based on moving lane miles. The revenue is provided based on a statewide maintenance index of the unit costs used on roads and bridges. Changes in the index are used to calculate and implement annual per-land-mile rates. The rates fluctuate on index changes and number of miles assessed. Funds offset qualifying operating costs recorded in the City's budget.

Federal Categorical Aid

Federal Categorical Aid primarily consists of education funds from the federal government

and is 1.1 percent (\$8.9 million) of the FY 2004 budget.

Other Sources and Transfers

Other Sources and Transfers consist of intra-governmental transfers from the Water, Wastewater and Storm Water Funds to the General Fund, along with carryover monies and

land sale funds amounting to 3.6 percent (\$23.5 million) of the City's General Fund Revenues. The City anticipates carrying forward \$13.6 million from FY2003 to FY2004.

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TAX RATES AND MAJOR FEES

DESCRIPTION	ADOPTED FY03	APPROVED FY04
PROPERTY TAXES		
Real Estate	\$1.40/\$100 Assessed Value	\$1.40/\$100 Assessed Value
Personal Property		
Airplane	\$2.40/ \$100 Assessed Value	\$2.40/ \$100 Assessed Value
Motor Vehicle	\$4.00/\$100 Assessed Value	\$4.00/\$100 Assessed Value
Recreational Vehicle	2.00/\$100 Assessed Value	2.00/\$100 Assessed Value
Property - Machinery & Tools	\$4.00/\$100 Assessed Value (40% of Original Cost)	\$4.00/\$100 Assessed Value (40% of Original Cost)
Watercraft -Business	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Watercraft Recreational	\$0.01/\$100 Assessed Value	\$0.01/\$100 Assessed Value
OTHER LOCAL TAXES		
Amusement and Admissions	10%	10%
Cigarette	1.5 mils/cigarette (30 cents/pack)	2.75 mils/cigarette (55 cents/pack)
Emergency 911	\$2.40/Line/Month	\$2.85/Line/Month
Hotel/Motel Lodging	8%	8%
Restaurant Meal	6.5%	6.5%
MOTOR VEHICLE LICENSE		
Small Trailers (<2,000 pounds)	\$6.50	\$6.50
Motorcycles	\$15.00	\$15.00
Cars & Small Trucks	\$26.00	\$26.00
Semi Trailers	\$20.00	\$20.00
Mid-Size Trucks/Vans (>4,000pounds)	\$31	\$31
Large Vehicles (1,000 pounds)	\$1.60-\$1.80	\$1.60-\$1.80
Passenger (>10)	\$0.30/100 pounds & not less than \$25	\$0.30/100 pounds & not less than \$25
GARBAGE & TRASH		
Commercial		
Business 1 times per week	\$19.33/Unit/Month	\$19.33/Unit/Month
Business 3 times per week	\$47.92/Unit/Month (CBD Only)	\$47.92/Unit/Month (CBD Only)

DESCRIPTION	ADOPTED FY03	APPROVED FY04
Residential		
Single Units & Multiple Units <5	\$9.25/Unit/Month	\$9.25/Unit/Month
Multiple Units >4	\$14.83/Container /Month	\$14.83/Container /Month
Combined Commercial-Residential	\$28.58/Unit/Month	\$28.58/Unit/Month
Water and Wastewater Fees		
Wastewater	\$1.67/100 cubic feet	\$2.17/100 cubic feet
Water Charges	\$2.51 / 100 cubic feet	\$2.76/100 cubic feet
STORM WATER FEES		
Residential	\$5.40/month	\$5.40/month
Commercial	\$0.124 per 2,000 sq. ft.	\$0.124 per 2,000 sq. ft.
UTILITY TAXES		
Commercial		
Gas	3.255 + \$0.167821 on the first CCF, \$0.161552 on the next 360 CCF, \$0.15363 on the remaining CCF/month. Capped at \$500/ month	3.255 + \$0.167821 on the first CCF, \$0.161552 on the next 360 CCF, \$0.15363 on the remaining CCF/month. Capped at \$500/ month
Manufacturing	\$1.38 + \$0.004965 on the first 3,625,100 kWh monthly, \$0.004014 on remaining kWhs, capped at \$53,000 per month	\$1.38 + \$0.004965 on the first 3,625,100 kWh monthly, \$0.004014 on remaining kWhs, capped at \$53,000 per month
Non-Manufacturing	\$2.87 + \$0.017933 on first 537 kWh/month, \$0.006330/kWh thereafter	\$2.87 + \$0.017933 on first 537 kWh/month, \$0.006330/kWh thereafter
Telephone	25% on all Line Charges	25% on all Line Charges
Residential		
Cable and Satellite Service	7% on Total	7% on Total
Electricity	\$1.75 + \$0.018891/kWh monthly, capped at \$3.75/ month	\$1.75 + \$0.018891/kWh monthly, capped at \$3.75/ month
Gas	\$1.50 month	\$1.50 month
Telephone (cellular)	10% on First \$30/Month Local Service	10% on First \$30/Month Local Service
Telephone (Line)	25% of Local Bill	25% of Local Bill
Water (5/8" Meter)	25% on First \$22.50/month	25% on First \$22.50/month

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

General Fund			
	ACTUAL FY2002	APPROVED BUDGET FY2003	APPROVED BUDGET FY2004
OPERATING REVENUES			
General property taxes	\$ 159,177,993	171,909,300	175,846,400
Other local taxes	128,954,192	126,704,700	133,699,600
Permits and Fees	2,699,742	2,728,200	2,975,800
Fines and forfeitures	1,548,657	1,593,200	1,401,600
Commonwealth	252,901,179	261,034,200	268,163,600
Federal	7,259,203	6,000,370	8,708,600
Charges for services	14,158,751	14,731,400	16,856,100
Miscellaneous	4,608,210	4,529,200	4,399,200
Recovered costs	10,596,790	10,787,400	14,429,600
Total Operating Revenues	581,904,717	600,017,970	626,480,500
OPERATING EXPENSES			
Personnel services	173,374,563	185,507,800	197,977,700
Contractual services	33,972,371	35,329,900	37,812,400
Materials, supplies and repairs	26,714,760	28,129,500	30,341,400
Depreciation	-	-	-
Bad debt expense	-	-	-
All purpose appropriations	238,204,559	296,879,000	303,399,000
Public assistance	49,181,030	19,855,600	20,915,000
Total Operating Expenses	521,447,283	565,701,800	590,445,500
Operating Income (Loss)	60,457,434	34,316,170	36,035,000
NON-OPERATING REVENUES (EXPENSES)			
Money and use of property	8,391,473	7,691,600	6,304,900
Capital outlay	(3,984,618)	(3,705,800)	(3,980,900)
Interest and fiscal charges	-	-	-
Debt service	(53,742,911)	(54,264,400)	(59,320,600)
Total Non-Operating Revenue/Expense	(49,336,056)	(50,278,600)	(56,996,600)
Income (Loss) Before Operating Transfers	11,121,378	(15,962,430)	(20,961,600)
Operating transfers in	8,000,000	9,390,000	10,000,000
Operating transfers out	(10,239,774)	(8,317,300)	(2,588,400)
Total Operating Transfers	(2,239,774)	1,072,700	7,411,600
Net Income (Loss)	8,881,604	(14,889,730)	(13,550,000)
Beginning fund balance at July 1	59,084,903	67,966,507	53,076,777
Ending fund balance at June 30	\$ 67,966,507	53,076,777	39,526,777

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

Special Revenue Funds			
	ACTUAL FY2002	APPROVED BUDGET FY2003	APPROVED BUDGET FY2004
OPERATING REVENUES			
General property taxes	\$ -	-	-
Other local taxes	-	7,684,000	8,499,100
Permits and Fees	-	350,000	490,000
Fines and forfeitures	-	-	-
Commonwealth	-	-	20,600
Federal	-	223,300	225,900
Charges for services	10,259,374	10,437,200	11,277,700
Miscellaneous	22,727	960,000	441,500
Recovered costs	-	750,000	1,088,300
Total Operating Revenues	10,282,101	20,404,500	22,043,100
OPERATING EXPENSES			
Personnel services	4,393,895	9,695,600	10,972,776
Contractual services	1,057,661	3,394,100	3,647,952
Materials, supplies and repairs	1,545,068	1,921,700	2,425,673
Depreciation	-	-	-
Bad debt expense	-	-	-
All purpose appropriations	547,301	6,897,400	4,447,214
Public assistance	-	-	-
Total Operating Expenses	7,543,925	21,908,800	21,493,615
Operating Income (Loss)	2,738,176	(1,504,300)	549,485
NON-OPERATING REVENUES (EXPENSES)			
Money and use of property	560,246	1,844,300	1,865,000
Capital outlay	(733,375)	(518,200)	(569,485)
Interest and fiscal charges	-	-	-
Debt service	(2,306,871)	(1,291,900)	(2,310,100)
Total Non-Operating Revenue/Expense	(2,480,000)	34,200	(1,014,585)
Income (Loss) Before Operating Transfers	258,176	(1,470,100)	(465,100)
Operating transfers in	500,000	3,060,100	1,172,300
Operating transfers out	(845,488)	(2,590,000)	(1,783,900)
Total Operating Transfers	(345,488)	470,100	(611,600)
Net Income (Loss)	(87,312)	(1,000,000)	(1,076,700)
Beginning fund balance at July 1	7,796,558	7,709,246	6,709,246
Ending fund balance at June 30	\$ 7,709,246	6,709,246	5,632,546

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

Enterprise Fund			
	ACTUAL FY2002	APPROVED BUDGET FY2003	APPROVED BUDGET FY2004
Operating Revenues			
General property taxes	\$ -	-	-
Other local taxes	-	-	-
Permits and Fees	-	-	1,349,600
Fines and forfeitures	-	1,450,000	1,900,000
Commonwealth	-	-	-
Federal	-	-	-
Charges for services	90,971,914	95,479,100	97,099,000
Miscellaneous	4,094,645	1,414,400	62,000
Recovered costs	9,488	1,794,700	1,958,100
Total Operating Revenues	95,076,047	100,138,200	102,368,700
Operating Expenses			
Personnel services	18,940,736	17,506,900	19,951,600
Contractual services	10,641,940	14,838,900	15,171,600
Materials, supplies and repairs	11,937,270	10,590,400	12,331,600
Depreciation	13,333,170	-	-
Bad debt expense	1,748,652	-	-
All purpose appropriations	128,460	1,938,900	6,768,500
Public assistance	-	-	-
Total Operating Expenses	56,730,228	44,875,100	54,223,300
Operating Income (Loss)	38,345,819	55,263,100	48,145,400
Non-Operating Revenues (Expenses)			
Money and use of property	1,355,564	1,159,300	1,423,100
Capital outlay	(1,777,324)	(1,269,100)	(1,737,300)
Interest and fiscal charges	(20,881,465)	(46,904,200)	(44,027,400)
Debt service	-	-	-
Total Non-Operating Revenue/Expense	(21,303,225)	(47,014,000)	(44,341,600)
Income (Loss) Before Operating Transfers	17,042,594	8,249,100	3,803,800
Operating transfers in	-	43,800	-
Operating transfers out	(8,000,000)	(8,543,800)	(10,000,000)
Total Operating Transfers	(8,000,000)	(8,500,000)	(10,000,000)
Net Income (Loss)	9,042,594	(250,900)	(6,196,200)
Beginning fund balance at July 1	251,958,229	261,000,823	260,749,923
Ending fund balance at June 30	\$ 261,000,823	260,749,923	254,553,723

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

Internal Service Funds			
	ACTUAL FY2002	APPROVED BUDGET FY2003	APPROVED BUDGET FY2003
OPERATING REVENUES			
General property taxes	\$ -	-	-
Other local taxes	-	-	-
Permits and Fees	-	-	-
Fines and forfeitures	-	-	-
Commonwealth	-	-	-
Federal	-	-	-
Charges for services	8,293,736	6,953,600	8,519,785
Miscellaneous	840	-	-
Recovered costs	120,994	175,500	175,500
Total Operating Revenues	8,415,570	7,129,100	8,695,285
OPERATING EXPENSES			
Personnel services	2,967,961	3,134,500	3,596,200
Contractual services	87,419	127,700	152,500
Materials, supplies and repairs	5,073,677	3,734,400	4,719,600
Depreciation	359,304	-	-
Bad debt expense	-	-	-
All purpose appropriations	-	1,000	1,000
Public assistance	-	-	-
Total Operating Expenses	8,488,361	6,997,600	8,469,300
Operating Income (Loss)	(72,791)	131,500	225,985
NON-OPERATING REVENUES (EXPENSES)			
Money and use of property	44,897	26,500	26,515
Capital outlay	(115,851)	-	-
Interest and fiscal charges	-	-	-
Debt service	-	-	-
Total Non-Operating Revenue/Expense	(70,954)	26,500	26,515
Income (Loss) Before Operating Transfers	(143,745)	158,000	252,500
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total Operating Transfers	-	-	-
Net Income (Loss)	(143,745)	158,000	252,500
Beginning fund balance at July 1	10,648,816	10,505,071	10,663,071
Ending fund balance at June 30	\$ 10,505,071	10,663,071	10,915,571

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

Total-All Funds			
	ACTUAL FY2002	APPROVED BUDGET FY2003	APPROVED BUDGET FY2004
Operating Revenues			
General property taxes	\$ 159,177,993	171,909,300	175,846,400
Other local taxes	128,954,192	134,388,700	142,198,700
Permits and Fees	2,699,742	3,078,200	4,815,400
Fines and forfeitures	1,548,657	3,043,200	3,301,600
Commonwealth	252,901,179	261,034,200	268,184,200
Federal	7,259,203	6,223,670	8,934,500
Charges for services	123,683,775	127,601,300	133,752,585
Miscellaneous	8,726,422	6,903,600	4,902,700
Recovered costs	10,727,272	13,507,600	17,651,500
Total Operating Revenues	695,678,435	727,689,770	759,587,585
Operating Expenses			
Personnel services	199,677,155	215,844,800	232,498,276
Contractual services	45,759,391	53,690,600	56,784,452
Materials, supplies and repairs	45,270,775	44,376,000	49,818,273
Depreciation	13,692,474	-	-
Bad debt expense	1,748,652	-	-
All purpose appropriations	238,880,320	305,716,300	314,615,714
Public assistance	49,181,030	19,855,600	20,915,000
Total Operating Expenses	594,209,797	639,483,300	674,631,715
Operating Income (Loss)	101,468,638	88,206,470	84,955,870
Non-Operating Revenues (Expenses)			
Money and use of property	10,352,180	10,721,700	9,619,515
Capital outlay	(6,611,168)	(5,493,100)	(6,287,685)
Interest and fiscal charges	(20,881,465)	(46,904,200)	(44,027,400)
Debt service	(56,049,782)	(55,556,300)	(61,630,700)
Total Non-Operating Revenue/Expense	(73,190,235)	(97,231,900)	(102,326,270)
Income (Loss) Before Operating Transfers	28,278,403	(9,025,430)	(17,370,400)
Operating transfers in	8,500,000	12,493,900	11,172,300
Operating transfers out	(19,085,262)	(19,451,100)	(14,372,300)
Total Operating Transfers	(10,585,262)	(6,957,200)	(3,200,000)
Net Income (Loss)	17,693,141	(15,982,630)	(20,570,400)
Beginning fund balance at July 1	329,488,506	347,181,647	331,199,017
Ending fund balance at June 30	\$ 347,181,647	331,199,017	310,628,617

TRANSFERS FROM / TO

FROM GENERAL FUND TO:

Cemetery	155,600
Nauticus	750,000
EOC	774,300
CIP (Debt Service)	1,500,000
Total Transfer from General Fund	3,179,900

TO GENERAL FUND FROM:

Water Utility Fund	8,500,000
Waste Water Fund	1,500,000
Total Transfer to General Fund	10,000,000

TO CAPITAL IMPROVEMENT PLAN FUND FROM:

Public Amenities	1,700,000
Total Transfers from All Funds	\$ 11,700,000

PERSONNEL STAFFING SUMMARY

	Actual FY2002	Adopted FY2003	Adopted FY 2004	Increase (Decrease) FY03 to 04
General Fund:				
<i>Legislative</i>				
City Council	8	8	8	0
City Clerk	10	10	10	0
<i>Executive</i>				
Budget & Management	15	14	13	(1)
City Manager	13	13	13	0
Communications	14	14	14	0
Intergovernmental Relations	3	3	3	0
<i>General Management</i>				
City Attorney	34	34	34	0
City Auditor	7	7	7	0
City Treasurer	34	34	33	(1)
Commissioner of the Revenue	46	46	44	(2)
Facilities & Enterprise Management	87	97	98	1
Finance	41	41	44	3
Elections	9	9	9	0
Human Resources	36	36	36	0
Information Technology	68	74	76	2
Real Estate Assessor	21	21	21	0
Records Management	3	3	3	0
Total General Government	449	464	466	2
<i>Judicial</i>				
Circuit Court Judges	5	5	5	0
Clerk of Circuit Court	52	52	52	0

	Actual FY2002	Adopted FY2003	Adopted FY 2004	Increase (Decrease) FY03 to 04
Commonwealth's Attorney	59	59	59	0
Sheriff and Jail	456	473	473	0
Total Judicial	572	589	589	0
Human Services	594	579	574	(5)
Public Health	45	43	42	(1)
Total Public Health	639	622	616	(6)
<i>Public Safety</i>				
Fire-Rescue Service	491	492	492	0
Police	876	874	874	0
Radio & Electronics	6	6	6	0
Total Public Safety	1,373	1,372	1,372	0
Public Works	314	336	338	2
Total Public Works	314	336	338	2
<i>Parks, Recreation & Cultural</i>				
Civic Facilities	69	70	69	(1)
Neighborhood & Leisure Services	248	262	263	1
Public Libraries	78	79	79	0
Zoological Park	44	45	46	1
Total Parks, Recreational & Cultural	439	456	457	1
<i>Community Development</i>				
Development	16	20	20	0
Planning & Community Development	73	72	71	(1)
Total Community Development	89	92	91	(1)
Total General Fund	3,875	3,945	3,943	(2)
<i>Special Revenue Funds:</i>				
Cemetery	*36	36	36	0
EOC/911	**85	85	85	0

	Actual FY2002	Adopted FY2003	Adopted FY 2004	Increase (Decrease) FY03 to 04
Nauticus	41	38	38	0
Storm Water Fund	74	74	74	0
Towing	9	8	9	1
Total Special Revenue Fund	245	241	242	1
<i>Enterprise Funds:</i>				
Parking Facilities Fund	76	76	87	11
Waste Water Utility Fund	88	88	102	14
Water Utility Fund	260	266	270	4
Total Enterprise Funds	424	430	459	29
<i>Internal Services Funds</i>				
Fleet	72	69	69	0
Storehouse	11	11	11	0
Total Internal Service Funds	83	80	80	0
Total Other Funds	752	751	781	30
Total All Funds	4,627	4,969	4,724	28

*Cemetery moved from General Fund to Special Revenue Fund status (FY03)

**EOC /911 moved from General Fund to Special Revenue Fund status (FY03)

Personnel Staffing Summary

BUDGET & MANAGEMENT

Elimination vacant Budget Team Leader position.

CITY TREASURER

Deletion of the vacant Deputy IV to achieve budget reductions imposed by the State.

COMMISSIONER OF REVENUE

Deletion of the Accounting Technician for the Personal Property Tax Program and a License Inspector for the Business Tax Program to achieve reductions imposed by the State.

FACILITY & ENTERPRISE MANAGEMENT

Added one Operating Engineer II to support Public Infrastructure maintenance.

FINANCE

Two (2) positions added to support the newly established Collections Division: an Accounting Supervisor and Accounting Technician. An Accounting Analyst was added to the Retirement Bureau.

INFORMATION TECHNOLOGY

Two (2) permanent full-time positions were transferred from the Water Utility Fund: a Programmer Analyst II and Programmer Analyst IV. Ten Non-Permanent/Special Project positions were added to support the Peoplesoft system, Computer Aided Dispatch System (CADS) Project and the Utility Billing Information System. The Non Permanent/Special Project Positions include four (4) Programmer Analyst IV, two (2) Programmer Analyst V, two (2) Database Administrator's and two (2) Sr. Micro Systems Analyst.

HUMAN SERVICES

Elimination of five vacant positions: a Case Management Specialist, three (3) Child Counselor II and one (1) Child Counselor III.

PUBLIC HEALTH

Eliminated a vacant Public Health Aide.

PUBLIC WORKS

Added two (2) permanent full time positions: Support Technician for the Traffic Maintenance program, and Construction Inspector for Street Maintenance.

CIVIC FACILITIES

Net increase of one position. Three (3) vacant positions were eliminated: Maintenance Supervisor II, Security Officer, and Office Aide, while two permanent full-time positions were added: Event Coordinator and Public Information Specialist I.

NEIGHBORHOOD & LEISURE SERVICES

Added one permanent full-time Messenger/Driver position to support the Therapeutic Recreation Program.

ZOO

Added one permanent full time Zookeeper position in support of the Zoo expansion.

PLANNING & COMMUNITY DEVELOPMENT

Elimination of a vacant City Planning Technician within Zoning Services.

TOWING OPERATIONS

Added one permanent full-time Equipment Operator II in support of the Right-of-Way Clean Up Program.

PARKING ENTERPRISE FUND

Added eleven new permanent full-time positions to the department in support of Parking Operations. The new positions include nine Customer Service Representatives, Parking Supervisor and Computer Operations Supervisor.

WASTEWATER UTILITY FUND

Added fourteen permanent full-time positions in support of Wastewater initiatives. The new positions include an Accounting Technician, two (2) Crew Leaders, one (1) Engineering Technician, two (2) Equipment Operator II's, two (2) Equipment Operator III's, four (4) Maintenance Worker II's, and two Utility Maintenance Supervisors.

WATER UTILITY FUND

Net increase of four positions. Transferred two (2) permanent full time positions to Information Technology in support of the Utility Billing Information System. Added six (6) positions; two (2) Equipment Operator III's, two (2) Maintenance Worker II's, Maintenance Worker I and Utility Maintenance Mechanic.

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CITY INDEBTEDNESS

The Virginia Constitution authorizes a city in Virginia to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the governing body of the City is required to levy, if necessary, an ad valorem tax on all property subject to local taxation. The issuance of general obligation bonds is subject to a limitation of 10 percent of the assessed value of taxable real property in the City.

The Public Finance Act of Virginia also authorizes a city in Virginia to issue limited liability revenue bonds provided that the rates, rents, fees or other charges are sufficient to pay the cost of operation and administration and the principal and interest on the bonds when due.

In determining general obligation statutory debt limitations, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, referendum approved general obligation bonds payable from

a specified revenue producing undertaking, so long as the undertaking is self-supporting, and revenue bonds. The City's enterprise operations for Water and Parking bonded debt are a combination self-supporting, general obligations and revenue bonds. The City's operations for wastewater and Stormwater are all self-supporting general obligation bonds. However, since the self-supporting general obligation debt of each of the enterprise operations was approved without a referendum they are included in the City's legal debt limit.

In addition, the City's lease-purchase obligations, which contain non-appropriation cancellation provisions, are excludable from the City legal debt limit. The complete general obligation debt limit calculation for the anticipated year-end FY 2003.

The following table shows the general obligation Legal Debt Margins for the Fiscal Years ending June 30 for the past 5 years.

AS OF	TAXABLE REAL PROPERTY ASSESSED VALUE	DEBT LIMIT: 10% OF ASSESSED VALUE	DEBT APPLICABLE TO DEBT LIMIT	LEGAL MARGIN FOR ADDITIONAL DEBT
June 30, 2003 *	9,360,913,652	936,091,365	464,365,671	471,725,694
June 30, 2002	8,882,063,788	888,206,378	463,645,861	424,560,517
June 30, 2001	8,458,280,938	845,828,094	471,745,246	374,082,848
June 30, 2000	8,098,113,173	809,811,317	491,197,246	318,614,071
June 30, 1999	7,934,397,295	793,439,729	512,105,001	281,334,728
*Estimated				

Overlapping or Underlying Debt

The City of Norfolk is autonomous and entirely independent of any county or other political subdivision. It is not subject to taxation by any

county or school district, nor is it liable for any county or school district indebtedness. There is no overlapping or underlying debt.

Statement of No Past Default

The City has never defaulted on the payment of either principal or interest on any debt

Outstanding Debt

The City's general capital debt is to be funded from its general fund. The debt of the enterprise operations is paid solely from the revenues of the

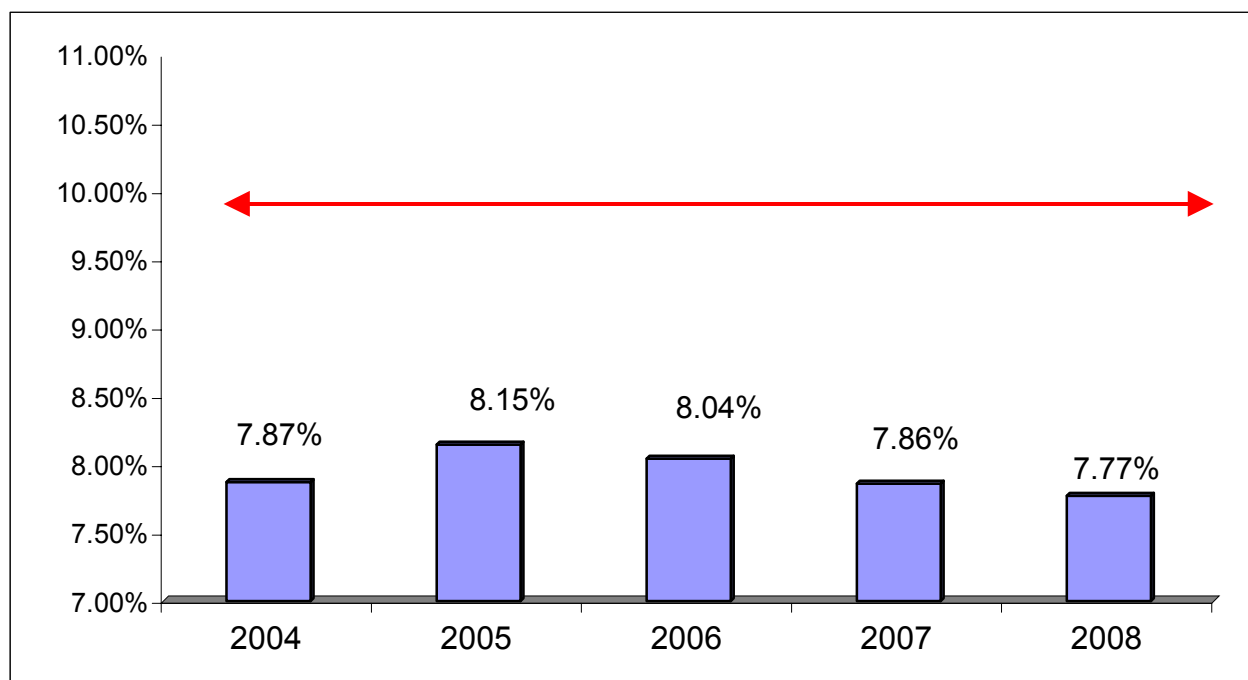
respective enterprise and internal service funds. The City's anticipated outstanding debt at the end of FY 2003

Debt Ratios

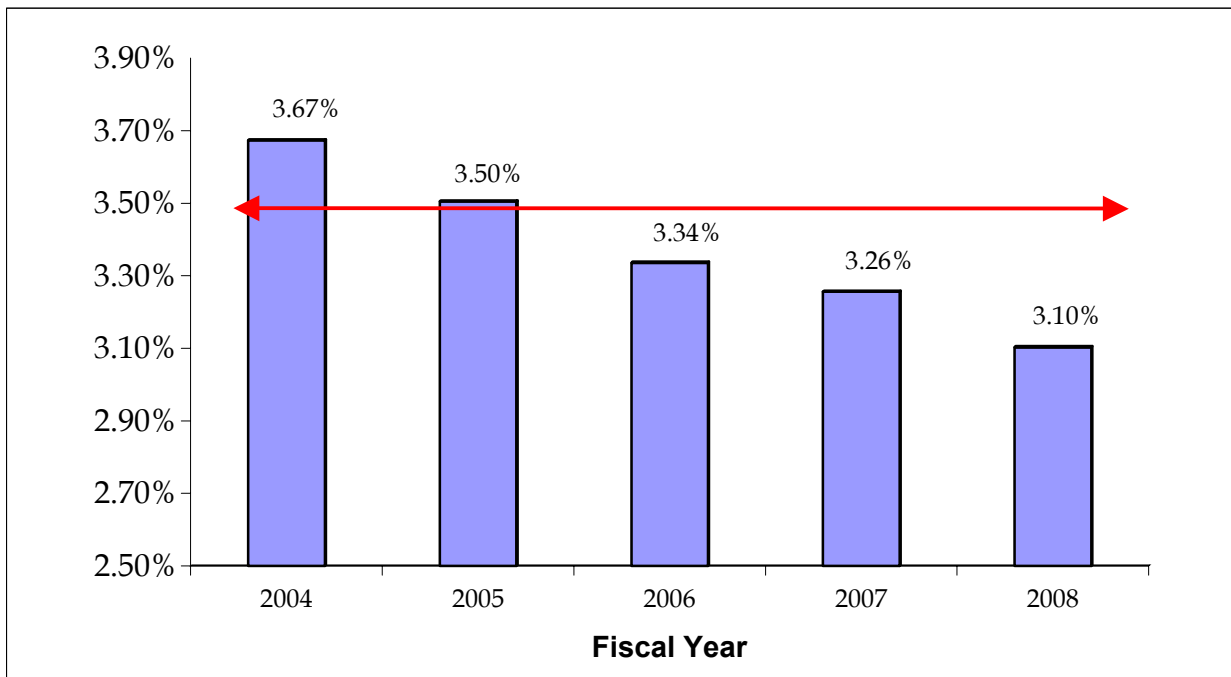
The following tables demonstrate Norfolk's compliance with three internally imposed

affordability measures for its general capital supported general obligation debt

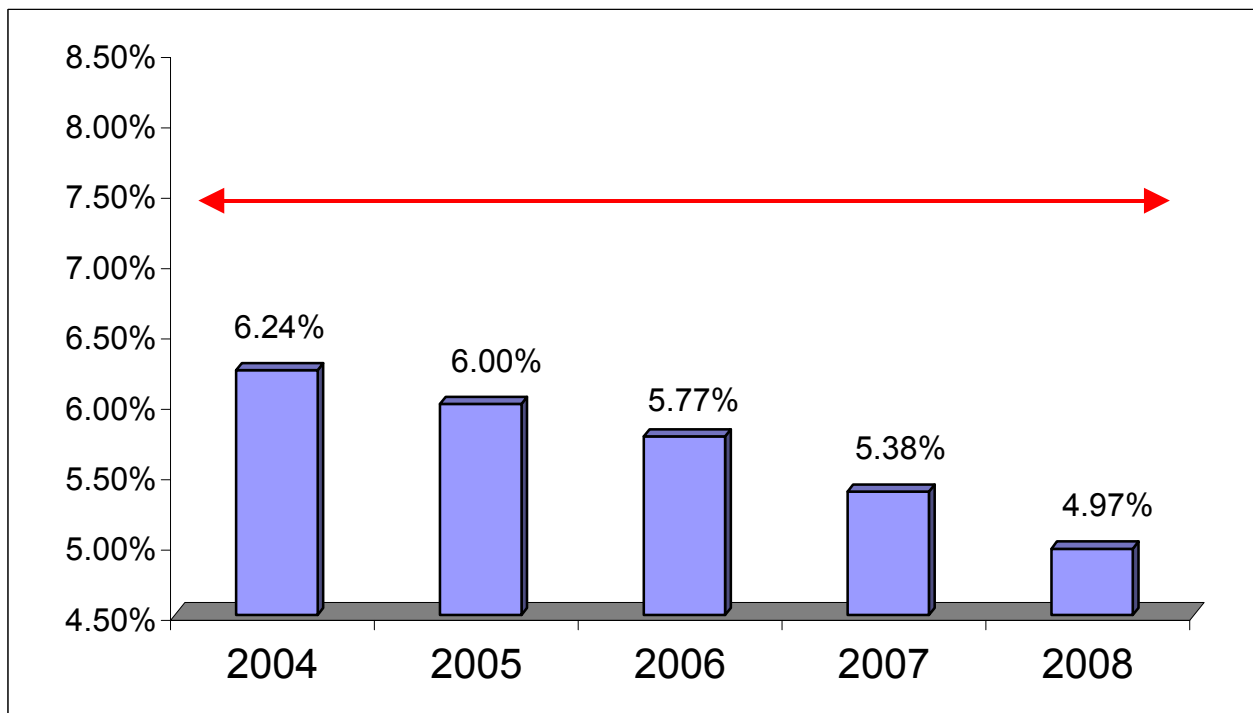
Target 1: Net Debt as a % of GF Budget (not to exceed 10%)



Target 2: Net Debt as a % of Taxable Real Estate (not to exceed 3.5%)



Target 3: Net Debt per capita as $\leq 7.5\%$ of per capita Income



Enterprise Operations Debt

Norfolk's parking and water revenue bond programs are governed by a complex set of bond indentures which specify certain debt coverage requirements for their respective operations. As previously noted, outstanding water and parking bonds are a combination of general obligations of the City and revenue bonds. As a matter of practice, the City pays such general obligation

bonds from its respective enterprise activities. In the event that moneys in the respective funds are not sufficient to pay debt service on the general obligations, the City is obligated to pay such debt service from the General Fund or other available revenues. Debt Service coverage of the enterprise operations are shown in the following table

WATER UTILITY FUND

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	REVENUE BOND COVERAGE	GENERAL OBLIGATION & REVENUE BOND COVERAGE
June 30, 2003*	5,700,000	14,600,283	20,300,283	2.14	1.46
June 30, 2002	4,890,000	14,090,180	18,980,180	1.83	1.20
June 30, 2001	4,680,000	13,411,636	18,091,636	1.97	1.26
June 30, 2000	4,475,000	13,616,718	18,091,718	2.00	1.26
June 30, 1999	4,315,000	10,395,368	14,710,368	3.21	1.84
*Estimated					

WASTE WATER UTILITY FUND

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	REVENUE BOND COVERAGE	GENERAL OBLIGATION & REVENUE BOND COVERAGE
June 30, 2003*	3,960,161	2,516,573	6,476,734	N/A	1.03
June 30, 2002	3,525,753	2,222,877	5,748,630	N/A	.88
June 30, 2001	3,538,872	2,475,606	6,014,478	N/A	.87
June 30, 2000	3,549,495	2,646,079	6,195,574	N/A	1.13
June 30, 1999	3,114,306	2,528,686	5,642,992	N/A	1.22
*Estimated					

PARKING ENTERPRISE FUND

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	REVENUE BOND COVERAGE	GENERAL OBLIGATION & REVENUE BOND COVERAGE
June 30, 2003*	1,080,000	3,834,399	4,914,399	2.20	1.25
June 30, 2002	1,010,000	4,394,816	5,404,816	2.06	1.24
June 30, 2001	1,320,000	4,363,455	5,683,455	2.03	1.22
June 30, 2000	935,000	4,029,744	4,964,744	2.08	1.16
June 30, 1999	0	2,888,783	2,888,783	2.92	1.26
*Estimated					

Impact of Capital Budget on Debt

The City's Debt Service is budgeted to incorporate all payments for interest and principal on the general obligation debt for the fiscal year. Other than its internal affordability policies and revenue bond indenture limitations, the City has no restriction on issuing new debt other than the 10

percent of taxable real estate value as imposed by the State Constitution and laws. In 2004, the City will pay off the following in principal maturities on previously issued debt.

COMPUTATION OF LEGAL DEBT MARGIN – JUNE 30, 2003

Total Assessed Value of Taxed Real Property as of June 30, 2003 (estimated)		<u>\$9,360,913,652</u>
Debt Limit - 10 percent of Total Assessed Value		<u>\$936,091,365</u>
Amount of Debt Applicable to Debt Limit:		
Gross Debt (Notes 1, and 4)	\$432,919,401	
General Obligation (QRBs)	19,425,000	
General Obligation (QZABs)	8,721,270	
General Obligation (guaranty) (Note 5)	<u>3,300,000</u>	<u>464,365,671</u>
Legal Debt Margin (Notes 2 and 3)		<u>\$471,725,694</u>
Amount of Debt as a percent of Debt Limit		<u>49.61%</u>

Notes:

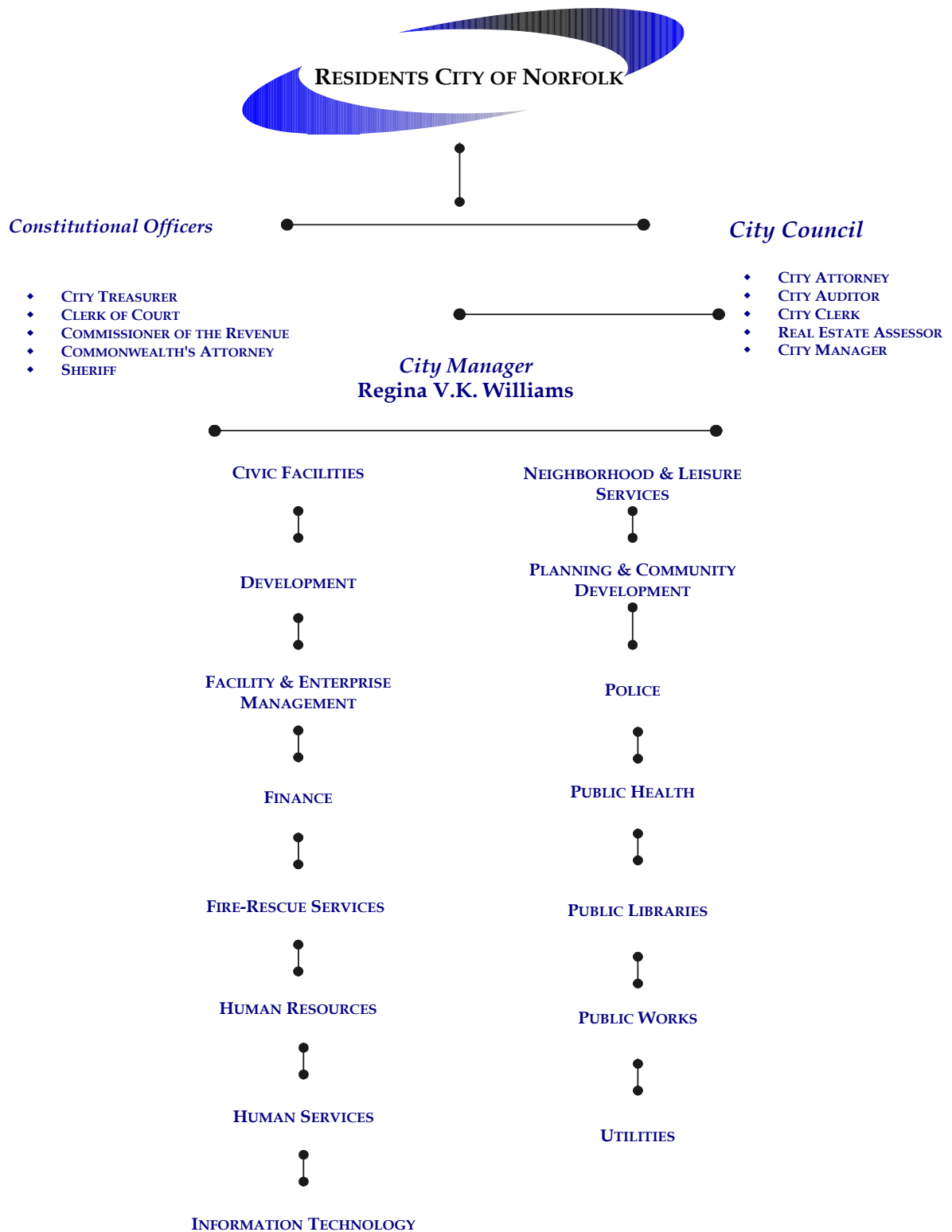
1. Defeased bonds totaling \$43,795,000 are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
 - a. The 1994 refunded bonds will be called for optional redemption before maturity in the amount of \$23,795,000 on June 1, 2004, at a price of 101%.
 - b. The 1995 refunded bonds will be called for optional redemption before maturity in the amount of \$20,000,000 on June 1, 2005, at a price of 101%.
2. Outstanding capital lease obligations totaling \$12,657,008 for the purchase of equipment are not included for the purpose of the legal debt margin calculations.
3. The amount of general obligation bonds authorized by ordinance but not issued for Capital Improvement Projects is \$38,754,800.
4. Water and Parking revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Water Utility Fund and of the Parking Facilities Fund.
5. Includes a General Obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998, which mature on August 15, 2015.

YEARLY MATURITY OF LONG -TERM DEBT

Fiscal Year	GENERAL			PUBLIC UTILITY DEBT			PARKING REVENUE		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	46,714,160	21,093,714	67,807,874	5,700,000	14,600,283	20,300,283	1,080,000	4,324,816	5,404,816
2004	43,809,160	22,053,030	65,862,191	5,955,000	14,616,543	20,571,543	1,155,000	4,274,056	5,429,056
2005	43,379,160	20,442,720	63,821,881	23,250,000	14,181,309	37,431,309	1,225,000	4,219,771	5,444,771
2006	40,914,207	17,979,019	58,893,226	6,580,000	13,713,374	20,293,374	1,310,000	4,162,196	5,472,196
2007	38,802,095	15,869,455	54,671,551	6,915,000	13,378,564	20,293,564	1,400,000	4,100,626	5,500,626
2008	38,565,438	13,976,227	52,541,666	7,255,000	13,035,031	20,290,031	1,495,000	4,054,986	5,549,986
2009	37,894,253	12,169,105	50,063,358	7,630,000	12,667,225	20,297,225	1,585,000	3,966,781	5,551,781
2010	34,218,555	10,283,781	44,502,337	8,020,000	12,275,248	20,295,249	1,910,000	3,885,866	5,795,866
2011	33,933,363	8,660,535	42,593,898	8,430,000	11,858,191	20,288,191	2,005,000	3,791,609	5,796,609
2012	29,478,687	6,967,701	36,446,388	8,885,000	11,410,328	20,295,328	2,105,000	3,692,188	5,797,188
2013	22,781,102	5,582,772	28,363,875	9,360,000	10,931,016	20,291,016	2,210,000	3,585,275	5,795,275
2014	16,542,534	4,550,028	21,092,562	9,870,000	10,423,766	20,293,766	2,335,000	3,469,080	5,804,080
2015	16,264,763	3,755,274	20,020,038	10,410,000	9,886,404	20,296,404	2,455,000	3,345,760	5,800,760
2016	13,692,375	3,021,942	16,714,318	10,980,000	9,313,676	20,293,676	2,580,000	3,215,538	5,795,538
2017	10,634,693	2,347,979	12,982,672	11,585,000	8,705,573	20,290,573	2,725,000	3,077,515	5,802,515
2018	8,263,571	1,826,732	10,090,304	12,225,000	8,064,079	20,289,079	2,865,000	2,931,725	5,796,725
2019	8,308,116	1,425,656	9,733,772	12,905,000	7,386,763	20,291,763	3,020,000	2,778,440	5,798,440
2020	7,458,350	1,075,396	8,533,747	13,625,000	6,665,226	20,290,226	3,180,000	2,614,488	5,794,488
2021	5,189,299	700,714	5,890,014	14,395,000	5,898,269	20,293,269	3,355,000	2,441,848	5,796,848
2022	4,115,988	475,891	4,591,880	15,205,000	5,087,008	20,292,008	3,535,000	2,259,688	5,794,688
2023	2,388,442	279,437	2,667,880	16,070,000	4,227,221	20,297,221	3,730,000	2,067,730	5,797,730
2024	681,690	212,940	894,630	16,980,000	3,318,433	20,298,433	3,930,000	1,865,170	5,795,170
2025	349,817	188,872	538,690	13,285,000	2,483,109	15,768,109	4,140,000	1,651,730	5,791,730
2026	-	182,750	182,750	14,040,000	1,727,320	15,767,320	4,370,000	1,426,855	5,796,855
2027	-	182,750	182,750	6,450,000	1,177,763	7,627,763	4,605,000	1,189,463	5,794,463
2028	-	182,750	182,750	6,780,000	842,994	7,622,994	4,065,000	939,275	5,004,275
2029	-	182,750	182,750	7,135,000	488,678	7,623,678	4,285,000	720,850	5,005,850
2030	-	182,750	182,750	1,945,000	258,375	2,203,375	4,340,000	490,600	4,830,600
2031	-	182,750	182,750	2,045,000	158,625	2,203,625	4,580,000	251,900	4,831,900
2032	-	182,750	182,750	2,150,000	53,750	2,203,750	-	-	-
2033	3,400,000	37,565	3,437,565	-	-	-	-	-	-
	507,779,831.70	176,255,735	684,035,567	296,060,000	228,834,144	524,894,145	81,575,000	80,795,825	214,470,825

Fiscal Year	LEASE PURCHASE EQUIPMENT			TOTALS		
	Principal	Interest	Total	Principal	Interest	Total
2003	4,318,836	551,812	4,870,647	57,812,996	40,570,624	98,383,620
2004	4,330,343	403,898	4,734,242	55,249,504	41,347,527	96,597,031
2005	3,474,529	213,222	3,687,750	71,328,689	39,057,021	110,385,711
2006	2,075,885	90,491	2,166,376	50,880,093	35,945,079	86,825,172
2007	1,272,639	35,022	1,307,661	48,389,734	33,383,668	81,773,402
2008	474,653	4,308	478,960	47,790,092	31,070,552	78,860,643
2009	-	-	-	47,109,253	28,803,111	75,912,364
2010	-	-	-	44,148,556	26,444,896	70,593,452
2011	-	-	-	44,368,363	24,310,335	68,678,698
2012	-	-	-	40,468,687	22,070,216	62,538,903
2013	-	-	-	34,351,102	20,099,064	54,450,166
2014	-	-	-	28,747,534	18,442,875	47,190,409
2015	-	-	-	29,129,764	16,987,438	46,117,201
2016	-	-	-	27,252,376	15,551,155	42,803,531
2017	-	-	-	24,944,694	14,131,066	39,075,760
2018	-	-	-	23,353,572	12,822,536	36,176,107
2019	-	-	-	24,233,116	11,590,859	35,823,976
2020	-	-	-	24,263,351	10,355,110	34,618,461
2021	-	-	-	22,939,300	9,040,831	31,980,131
2022	-	-	-	22,855,989	7,822,586	30,678,575
2023	-	-	-	22,188,443	6,574,388	28,762,831
2024	-	-	-	21,591,690	5,396,542	26,988,232
2025	-	-	-	17,774,818	4,323,711	22,098,529
2026	-	-	-	18,410,000	3,336,925	21,746,925
2027	-	-	-	11,055,000	2,549,975	13,604,975
2028	-	-	-	10,845,000	1,965,019	12,810,019
2029	-	-	-	11,420,000	1,392,278	12,812,278
2030	-	-	-	6,285,000	931,725	7,216,725
2031	-	-	-	6,625,000	593,275	7,218,275
2032	-	-	-	2,150,000	236,500	2,386,500
2033	-	-	-	3,400,000	37,565	3,437,565
	\$ 15,946,885	\$ 1,298,753	\$ 17,245,636	\$ 901,361,716	\$ 487,184,452	\$ 1,388,546,167

CITY ADMINISTRATION ORGANIZATION CHART



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